The above principles are in strict accordance with the orthodox canons of finance and accounting and also with the practice followed in British India.

4. It has been the practice here to show the expenditure on productive schemes under Debt Heads and to carry any surplus revenue of such schemes over the prescribed return of 5 per cent to a separate reserve account. It is proposed to continue this practice at any rate for the present. I may mention that, in British India, the entire revenue from such schemes is taken to the credit of the current revenues.

In accordance with the principles of classification explained above, the expenditure on the following non-productive schemes, has been classed under "Capital not charged to revenue" in the Revised Estimates for 1111 and the Budget Estimates for 1112, instead of under "Expenditure charged to revenue" as provided in the Budget Estimates for 1111.

(i) Construction of the Council Chamber.
(ii) Widening and making improvements to certain important roads which form part of the Town Planning Scheme.
(iii) Acquisition of lands and construction of Military buildings which form part of the Military Re-organisation scheme.
(iv) Purchase of Travancore House, Madras.

REVISED ESTIMATES FOR 1111.

5. The budget estimates for the current year were for a total revenue of Rs 242·16 lakhs and provided for a programme of expenditure of Rs 249·12 lakhs resulting in a revenue deficit of Rs 6·96 lakhs. But on the basis of the actuals so far available and the revised classification adopted in the case of some of the capital works hitherto charged to revenue, the revenue is expected to stand at Rs 229·28 lakhs and the expenditure charged to revenue at Rs 234·34 lakhs. Excluding the adjustments made on account of the change of classification above referred to, amounting to Rs 12·74 lakhs, the real deterioration from the original estimates will be a net sum of Rs 10·84 lakhs. The current year is thus expected to close with a revenue deficit of Rs 5·06 lakhs as against a deficit of Rs 6·96 lakhs anticipated in the budget. The ordinary revenue for the year is expected to fall short of the original anticipations by Rs 12 88 lakhs being the net result of a decline in revenue to the extent of Rs 16·99 lakhs under some of the heads of revenue and an improvement of Rs 4·11 lakhs under others. The expected decrease in revenue is mainly under land Revenue (1·60), Excise (2·93), Excise duty on matches (2·85). Stamps (4·50) Registration (·96), Administration of Justice (·45)

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[Rao Bahadur A. Rengasvami Aiyar.]

and Railways (1·35). Under Land Revenue, the fall is due to the general remission of 12½ per cent. of the land tax sanctioned by Government in respect of all dry lands except those cultivated with rubber, tea and cardamoms, to the remission of 18¾ per cent. of the tax on wet lands in respect of the Kanni crop of 1111 in certain taluks in the Trivandrum and Quilon Divisions and to other seasonal remissions sanctioned during the year. The decrease under Excise is under both Tobacco and Abkari and Opium to the extent of Rs 1·55 lakhs and Rs 1·38 lakhs respectively. The fall in Tobacco revenue is due to the anticipated lesser consumption of Coimbatore Tobacco. The decrease in the output of matches in the Malabar Match Manufacturing Company Ltd., Mudichal and others accounts for the decrease in revenue under Excise duty on matches. For the year ended March 1935, our share of the proceeds of the pool of this duty allocated by the Government of India amounted to B. Rs 2·37 lakhs and after deducting the net collections for the period in the State, a sum of B. Rs 32,260 was received from the Government of India and credited in the accounts of the current year. The fall in revenue under Stamps and Registration is due mainly to the general economic depression and partly to the orders prohibiting the execution of decrees by civil courts issued during the latter part of 1110. The decline in the strength of students in the Law College consequent on the restriction imposed on the admission to B. L. Class of passed F. L. students only accounts for the fall under Administration of Justice. Under Railways, credit was taken in the budget estimate for a net receipt of Rs ·50 of a lakh from the working of the Railway from Shencottah to Trivandrum during the year ended March 1936, the receipts during the previous year being Rs ·58 of a lakh. The working of the Railway during the year ended March 1936 however resulted in a net loss of Rs ·85 of a lakh.

The expected improvement in revenue is mainly under Taxes on Income (1·25), Customs (1·45), and Buildings, Communications and Miscellaneous Public Improvements (1·07). The increase under Taxes on Income is mainly under income derived from business. The betterment in the net receipts from the Cochin Harbour Scheme for the year ended March 1935 which amounted to Rs 13·39 lakhs as against Rs 12·50 lakhs anticipated in the budget as also the increased revenue expected under imports account for the increase under Customs. The increase of Rs 1·07 lakhs under Buildings, Communications and Miscellaneous Public Improvements is mainly under Tolls on roads and bridges and subventions from the Road Development Account of the Government of India which amounted to Rs 2·10 lakhs as against Rs 1·40 lakhs only estimated in the budget.

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6. Coming to the expenditure side, the revised estimate for the current year is less than the budget by Rs 14·78 lakhs In paras 3 and 4 above, I have already explained that some of the items of works hitherto charged to revenue are now proposed to be debited to Capital. In the result, the allotments provided in the revenue budget for 1111 for Town Planning Schemes, the Council Chamber and Military Works aggregating to Rs 8·42 lakhs have to be deducted from the original budget estimate. Similarly, the expenditure incurred to the end of 1110 on Town Planning Schemes including establishment charges and on the investigation of the Drainage Scheme for Trivandrum is also proposed to be transferred to capital by deduction from the current year's Public Works Department expenditure. Thus, for purposes of a correct comparison of the budget estimate and revised estimate figures, a total deduction of Rs 12·74 lakhs has to be made in the grant provided in the budget estimate for the year. The expected net saving in expenditure will thus be only Rs 2·04 lakhs. The items which contribute to this saving are mainly Army (1·56), Education (·60), Devaswoms (·48) and Maramath (·48). The saving under Army as compared with the budget is Rs 6·48 lakhs, of which Rs 4·92 lakhs is for Military Works including land compensation charges which are proposed to be debited to Capital. The net saving is only Rs 1·56 lakhs. This is due to the fact that the reorganisation of the State Forces has not been brought into effect as early as provided for in the budget and the strength of the Forces has not been brought up to the full sanctioned number. Under Education, the saving is mainly under English and Vernacular School Education—Salaries and Establishment charges. The anticipated decrease under Devaswoms is mainly under Sripandaravagai and Murajapom expenditure. Under Maramath, the saving is due to the fact that the allotment provided in the budget for restoration works in the Sri padmanabhaswami Temple is not expected to be utilised in full. Increases are also expected under some of the heads of account of which the more important ones are Interest on Debt and other obligations (·61) due mainly to the expenses in connection with the 3½ per cent Loan 1956 recently raised, Miscellaneous Political Expenditure and Medical—Prevention of Epidemics, due to the expenditure incurred in connection with the outbreak of malaria in an epidemic form in South Travancore and plague in North Travancore.

7. Turning to the Capital section, sale proceeds of Government lands are expected to bring in Rs ·85 of a lakh as against Rs 1·50 lakhs anticipated in the budget, while the programme of capital expenditure on Non-productive works including the Civil and Military Works hitherto charged to revenue is expected to cost

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[Rao Bahadur A. Rengasvami Aiyar.]

Rs 23·74 lakhs as against the original budget estimate of Rs 16·77 lakhs. In the result, a net outgoing of Rs 27·95 lakhs is expected at the close of the year as against the budget estimate of Rs 22·23 lakhs. The Government Account balance which was Rs 108·22 lakhs at the beginning of the year is thus expected to be reduced to Rs 80·27 lakhs at its close.

BUDGET ESTIMATES FOR 1112.

8. The following minor changes in classification have also been made in the Budget Estimates for the next year.

The Co-operative department which was one of the minor heads under Scientific and Miscellaneous departments has been shown as a separate major head 23—Co-operative Department. The minor head "Public Service Commissioner" has been transferred from Scientific and Miscellaneous departments to General Administration as 15 D. On the revenue side, a new minor head "Pallivasal Hydro-Electric Scheme—Working Expenses' has been opened for the revenue account of the scheme which is expected to supply current from Makaram next. The minor head "Dairy Farm" has been retransferred and shown under the major head "21—Agriculture and Fisheries."

9. I may also here refer to the recent loan. Honourable members would have noted the phenomenal and tremendous success of our recent loan, the first one of its kind in recent years, which testifies unmistakably to the strong credit of our State in the Indian Money market and the confidence it commands among the Indian public. We received applications for B. Rs 280 lakhs against a demand of Rs 50 lakhs and an allotment of 18 per cent is being made. Provision has been made in the budget estimates of next year for the advance interest and interest for one half year falling due during the next year. The estimated yield of B. Rs 50 lakhs has been shown under "Suspense" in the revised estimates and under "Loans" in the budget estimates of the next year. With a view partly to meet the recurring interest charges on the loan and also in view of the fact that the Government of India have reduced their interest rate on Savings Banks Accounts to 2 per cent with effect from 1st July 1936, it is proposed to reduce the interest rate on Savings Bank Accounts in the State to 3 per cent from 1st Chingam 1112. It will also be necessary to provide a sum of about Rs 1·76 lakhs for sinking funds annually for the liquidation of this loan when it matures. The question regarding the exact amount of provision to be made and whether it should be met from general revenues or

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